

Central Intelligence Agency



Washington, D.C. 20505

04 FEB 1986

The Honorable Lee H. Hamilton
Chairman
House Permanent Select Committee on Intelligence
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This letter is written to provide you with an update on our experiences with the experimental grade banding pay program we are conducting in the Agency's Office of Communications. At this time, we have just completed our first year of operation under the experimental program. While it is still too early to fully assess the long-term impact of the program on recruitment and retention, or on overall payroll costs, we continue to be optimistic about the future utility of pay-for-performance in the Agency. (U)

We have completed an attitude survey of participants in the experimental program to assess the acceptance of pay-for-performance by participating employees, and to assess their understanding of the program. Our initial response from participants indicates that they do understand the new pay program, and that over 75 percent of those responding to the survey are supportive of a pay-for-performance system. We are currently conducting a follow-up attitude survey to assess the changes in attitudes after the first performance awards were granted in September 1985, but will not have the results until spring 1986. (U)

Our first-year costs fell within our budgeted personnel costs for the Office of Communications. Our conversion costs, which we had projected to be approximately [redacted] on an annualized basis, were approximately [redacted] for the [redacted] officers converted. Our first annual performance award and promotion cycle was not completed until late September 1985, so the resulting payroll costs will not be realized until FY 1986. These costs will exceed historical General Schedule costs for promotion, Quality Step Increases and Within-Grade Increases by approximately [redacted] or approximately 14 percent, for the initial year. These higher costs for the first year are misleading, however, and do not reflect long-term trends. As part of the first-year conversion to banding, we included additional funds to upgrade a number of positions in the occupation to reflect the increased responsibility that has evolved into the

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The Honorable Lee H. Hamilton

occupation as a result of advancing technology and the changing role of the communicator overseas. We also included additional money to increase hiring rates for new employees entering the occupation to reflect renewed emphasis on obtaining communicators with prior military or civilian experience. (S)

I believe that pay-for-performance is a cost-effective way of motivating our people to continue to collect, evaluate, and disseminate the quality intelligence required by policymakers. I am also conscious of the need to conserve our personnel dollars. We are currently reviewing the administrative procedures in the pay banding experiment to refine them and assure that long-term costs remain within our budgeted projections. The results of this analysis will be used to revise the pay guidance for the experimental group next year, and for out years. (U)

As our grade banding experiment moves into its second year, we intend to add approximately [] additional employees in the Office of Communications to our experimental population. This group will include Electronic Technicians who are working side-by-side with the Telecommunications Officers. Both groups will be covered by the same pay bands established last year for the Telecommunications Officers. Performance evaluations and pay decisions on individual employees will continue to be made on defined performance standards for the career path. (S)

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As we continue to evaluate the experimental pay system, I look forward to sharing our experiences with you and members of your staff. (U)

Sincerely,

/s/ William J. Casey

William J. Casey
Director of Central Intelligence

OP/PA&E/PMCD []

(27 Jan 86)

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SUSPENSE		31 Jan 1986 <small>Date</small>			

Remarks Please note report required for the first year's experience by January 31, 1986.

Executive Secretary

25 Jan 85

Date

EDWARD P. BOLAND, MASSACHUSETTS, CHAIRMAN

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January 24, 1985

Honorable William J. Casey
 Director of Central Intelligence
 Washington, D. C. 20505

Dear Mr. Casey:

Thank you for the Agency's notification to the Committee of its intent to proceed with an experimental pay program in its Office of Communications. I understand your staff has provided the Committee staff with a detailed briefing about this "pay banding" experiment.

The Committee has no objection to the Agency's proposal to evaluate this concept on an experimental basis. The Committee anticipates reviewing the program at least annually. The Committee will pay particular attention to whether the costs of this experiment will exceed costs for the same employee group under the Agency's present General Schedule system.

The Committee joins you in seeking an effective Agency personnel management and compensation system. The Committee therefore wishes to assure itself that whatever pay system is used will ensure the retention of skilled personnel and fairly compensate them for satisfactory as well as excellent performance.

In line with the Committee's interest in this experimental program, I request that you provide the Committee with an evaluation of the first year's experience under the pay banding system by January 31, 1986.

With every good wish, I am

Sincerely yours,

Edward P. Boland
 EDWARD P. BOLAND
 Chairman

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Central Intelligence Agency



Washington, D.C. 20505

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TO -

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Mr. Robert R. Simmons, Staff Director
 Select Committee on Intelligence
 United States Senate
 Washington, D.C. 20510 - C-453476

Dear Rob:

This letter is written to describe an experimental pay program known as grade banding which we propose to implement in the Agency's Office of Communications for the Telecommunications Officer occupation category. This experimental program consolidates the current General Schedule (GS-05 through GS-15) into five pay levels. By doing so, the pay range for each pay level is modified to cover two or more GS grades. All pay decisions are based on substantially documented performance criteria.

This program will be limited to the Office of Communications, and will include about [] Telecommunications Officers. The program involves use of a simplified position classification system; banding of the General Schedule grade levels; integration of our objectives-based appraisal system with the pay system; and establishment of management accountability through the budget process. The experiment will run for up to five years.

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This system appears to offer us several improvements over our current pay practices. First, this pay-for-performance system allows for performance-related salary increases within a grade level rather than solely through promotion to the next grade level, thus reducing upward pressure on the position classification system. Second, the system provides managers with greater flexibility and accountability to set pay and to reward employees. Third, it simplifies and expedites position classification. Fourth, we anticipate that this system will enhance our efforts to recruit and retain the highly skilled specialists who are vital to our organization.

A substantial increase in payroll costs to fund this experiment is not anticipated. We have projected an additional operating cost of approximately [] for the

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first year of the experiment. This includes a one-time cost of approximately [] for conversion to the new pay schedule. All costs will be absorbed out of our current personal services budget.

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Pay levels in the experimental schedules are linked to the General Schedule as follows:

	<u>GS Schedule</u>	<u>Experimental Schedule</u>
Trainee Level	GS/GSO-06/08	TCO/TCX - 1
Working Level	GS/GSO-09/11	TCO/TCX - 2
Nonsupervisory Specialist	GS/GSO-11/12	TCO/TCX - 3
First Level Supervisory/Staff	GS/GSO-12/13	TCM/TCY - 3
Management/Senior	GS/GSO-14/15	TCM/TCY - 4

Since 1979, the Department of Navy has been conducting an experiment using a similar alternative pay program for its laboratories at Naval Weapons Center, China Lake, California, and at the Naval Ocean Systems Center, San Diego, California. Authorized under the Civil Service Reform Act of 1978, that experiment simplifies position classification and provides greater pay flexibility to management without substantially increasing payroll costs.

Over the life of our experimental pay program, we will monitor and evaluate on an annual basis the costs of the program and its success in meeting our improved performance and longevity objectives. Information obtained from our analysis will form the basis for discussions with you on any future expansion of the system to other parts of this Agency. If after receipt of these details you would like further briefing, we would be happy to do so. We are looking to implementation on 6 January 1985.

Sincerely,

/s/Charles A. Briggs

Charles A. Briggs
Director, Office of Legislative Liaison

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